

Calendar No. 299

115TH CONGRESS }
2d Session }

SENATE

{ REPORT
115-205

DIRECT HIRE OF STUDENTS AND RECENT
GRADUATES ACT OF 2017

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 1887



FEBRUARY 5, 2018.—Ordered to be printed

U.S. GOVERNMENT PUBLISHING OFFICE

79-010

WASHINGTON : 2018

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DIRECT HIRE OF STUDENTS AND RECENT GRADUATES ACT OF 2017

FEBRUARY 5, 2018.—Ordered to be printed

Mr. JOHNSON, from the Committee on Homeland Security and
Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 1887]

[Including cost estimate of the Congressional Budget Office]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 1887) to grant expedited hiring authority to the head of an agency to appoint college graduates and post-secondary students, having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, do pass.

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I. PURPOSE AND SUMMARY

The purpose of S. 1887, the Direct Hire of Students and Recent Graduates Act of 2017, is to allow Federal agencies the flexibility to directly hire qualified post-secondary students and recent graduates outside the Federal competitive examination process.

II. BACKGROUND AND THE NEED FOR LEGISLATION

Hiring young adults has long been a human capital management objective for the Federal workforce, and it has been a particular

focus for the last few decades due to the threat of a “retirement wave” of Federal employees.¹ Robert Goldenkoff, Director of Strategic Issues at the Government Accountability Office, testified before the Committee’s Subcommittee on Regulatory Affairs and Federal Management in 2016 that “[a]cross Government, skills gaps and [sic] critical occupations, along with large numbers of employees eligible for retirement, are threatening the ability of agencies to carry out their vital missions Agencies need a robust talent management strategy that covers the full life cycle of Federal employment.”² Mr. Goldenkoff also stated that “[a]s retirements continue, agencies with few millennials may face future gaps in leadership, expertise, and critical skills because millennials represent the next generation of workers.”³

The Federal hiring process is often criticized as its own barrier to increasing the number of students and recent graduates in the Federal workforce. In 2011, Laurel McFarland, Executive Director of the National Association of Schools of Public Affairs and Administration, testified before the Committee:

Unfortunately, there is overwhelming evidence from recent years that the existing competitive hiring system simply does not work for graduate students, who have advanced training, but little full-time work experience, especially in federal service. The current competitive hiring process gives significant weight to years of government service, but considerably less to cutting-edge skills.⁴

Ms. McFarland added that applicants that have advanced training and cutting-edge skills, but little full-time work “rarely get selected through USAJOBS.”⁵

For several decades, the Federal Government has authorized various programs to hire students and recent graduates without being subject to the competitive service process.⁶ The most recent efforts are the Pathways Programs, created by President Barack Obama in 2010 through an executive order.⁷ The Pathways Programs began on July 10, 2012, and consist of three programs: the Internship Program, the Recent Graduates Program, and the Presidential

¹ Stephen Barr, *Retirement Wave Creates Vacuum*, WASHINGTON POST (May 7, 2000 available at https://www.washingtonpost.com/archive/politics/2000/05/07/retirement-wave-creates-vacuum/6c7346ba-6f4f-4a08-a6b7-dcca04a76579/?utm_term=.b618fd074aee).

² *Understanding the Millennial Perspective in Deciding to Pursue and Remain in Federal Employment: Hearing Before the S. Subcomm. on Regulatory Affairs and Fed. Mgmt.*, 114th Cong. 114–548 (2016) (testimony of Robert Goldenkoff, Director, Strategic Issues, U.S. Gov’t Accountability Office).

³ *Id.*

⁴ *Inspiring Students to Federal Service: Hearing Before the S. Comm. on Homeland Security and Governmental Affairs*, 112th Cong. 112–118 (statement of Laurel McFarland, Executive Director, National Association of Schools of Public Affairs and Administration).

⁵ *Id.* (testimony of Laurel McFarland, Executive Director, National Association of Schools of Public Affairs and Administration). USAJOBS is the central location for individuals to search for and apply to vacant Federal employment positions. See U.S. Off. of Personnel Mgmt., About USAJOBS, available at <https://www.usajobs.gov/Help/About/>.

⁶ See, e.g., Exec. Order No. 11202, 30 Fed. Reg. 3185 (Mar. 9, 1965); Exec. Order No. 11813, 39 Fed. Reg. 36,317 (Oct. 9, 1974); Exec. Order No. 12008, 42 Fed. Reg. 43,373 (Aug. 25, 1977) (amended by Exec. Order No. 12107, 44 Fed. Reg. 1055 (Jan. 3, 1979)); Exec. Order No. 12015, 42 Fed. Reg. 56,947 (Oct. 31, 1977) (amended by Exec. Order No. 12107, 44 Fed. Reg. 1055 (Jan. 3, 1979) and Exec. Order No. 13024, 61 Fed. Reg. 58,125 (Nov. 12, 1996)); Exec. Order No. 12364, 47 Fed. Reg. 22,931 (May 26, 1982) (amended by Exec. Order No. 12645, 53 Fed. Reg. 26,570 (July 12, 1988)); Exec. Order No. 12596, 52 Fed. Reg. 17,357 (May 11, 1987); Exec. Order No. 13162, 65 Fed. Reg. 43,211 (July 12, 2000); Exec. Order No. 13318, 68 Fed. Reg. 56,515 (Sept. 30, 2003).

⁷ Exec. Order 13562, 75 Fed. Reg. 82,585 (Dec. 27, 2010).

Management Fellows Program.⁸ These programs allow the Federal Government to hire students and recent graduates into permanent positions after completing the requisite amount of service under the programs.⁹ The executive order noted the complexity of, and flaws in, the Federal hiring process:

The Federal Government benefits from a diverse workforce that includes students and recent graduates, who infuse the workplace with their enthusiasm, talents, and unique perspectives. The existing competitive hiring process for the Federal civil service, however, is structured in a manner that, even at the entry level, favors job applicants who have significant previous work experience. This structure, along with the complexity of the rules governing admission to the career civil service, creates a barrier to recruiting and hiring students and recent graduates. It places the Federal Government at a competitive disadvantage compared to private-sector employers when it comes to hiring qualified applicants for entry-level positions. To compete effectively for students and recent graduates, the Federal Government must improve its recruiting efforts; offer clear paths to Federal internships for students from high school through post-graduate school; offer clear paths to civil service careers for recent graduates; and provide meaningful training, mentoring, and career-development opportunities.¹⁰

Despite the non-competitive hiring authority allowed by the Pathways Programs, the percentage of students and recent graduates in the Federal workforce continues to decrease. Since 2011, the percentage of full-time Federal employees under the age of 30 dropped from 10.49 percent to 6.37 percent.¹¹

The Pathways Programs also resulted in a higher average age at the time of an individual's hire than previous Federal programs targeting the hiring of younger employees. The average age of new hires under the Pathways Programs in fiscal year 2014 was 27.1 years compared to 25.4 years under previous comparable Federal intern programs in fiscal year 2010.¹²

The National Defense Authorization Act for Fiscal Year 2017 authorized the Department of Defense (DOD) to directly recruit and hire post-secondary students and recent graduates to civilian professional and administration positions in the competitive service.¹³ The DOD's authority to make these hires is limited to 15 percent of the number of employees hired in professional or administrative

⁸U.S. Off. of Personnel Mgmt., *The Pathways Programs: Their Use and Effectiveness Two Years After Implementation*, 4-6 (Aug. 2016), *available at* <https://www.opm.gov/policy-data-oversight/hiring-information/students-recent-graduates/reference-materials/report-on-special-study-of-the-pathways-programs.pdf>.

⁹*Id.*

¹⁰Exec. Order 13562, 75 Fed. Reg. 82,585 (Dec. 27, 2010).

¹¹U.S. Off. of Personnel Mgmt., *Federal Employment Reports: Full-Time Permanent Age Distributions* (Sept. 2016), *available at* <https://www.opm.gov/policy-data-oversight/data-analysis-documentation/federal-employment-reports/reports-publications/full-time-permanent-age-distributions/#2010>.

¹²U.S. Off. of Personnel Mgmt., *supra* note 8 at 16.

¹³Nat'l Defense Authorization Act for Fiscal Year 2017, Pub. L. No. 114-328, § 1106, 130 Stat. 2000, 2447-48 (Dec. 23, 2016).

positions at the General Schedule (GS) Level 11¹⁴ or below.¹⁵ This hiring authority for DOD sunsets on September 30, 2021.¹⁶ This authority allows DOD to interview and make conditional offers of employment during on-campus recruiting events, allowing DOD to compete with the private sector for highly qualified individuals.¹⁷

This bill would extend the authority given to DOD to directly hire post-secondary students and recent graduates to all government agencies. It would allow Federal agencies to directly hire an individual who received a baccalaureate or graduate degree within the last two years without going through the competitive hiring process. Veterans who serve in the military after graduating would still qualify as a recent graduate for two years after they complete their service. Agencies would also be able to directly hire, for time-limited appointments, students enrolled or accepted for enrollment in an institution of higher education and pursuing a baccalaureate or graduate degree. Agencies would be able to make these direct hires for professional or administrative positions at the GS-11 level or below and would be subject to the same 15 percent limitation as DOD. If an agency may consider using this authority to hire a student or recent graduate to an available position, it must be publicly noticed. Agencies using this authority would also be required to report to Congress and to the Office of Personnel Management (OPM) on the use of this authority and its impact on the workforce.

III. LEGISLATIVE HISTORY

S. 1887, the Direct Hire of Students and Recent Graduates Act of 2017, was introduced on September 28, 2017, by Senator James Lankford. The bill was referred to the Committee on Homeland Security and Governmental Affairs. The Committee considered S. 1887 at a business meeting on October 4, 2017.

During the business meeting, Senator Thomas Carper offered an amendment requiring agencies to provide to Congress and OPM an annual impact assessment of the use of this direct hire authority for the first three fiscal years of its use. The Committee adopted the amendment by voice vote and ordered the bill, as amended, reported favorably by voice vote *en bloc* with Senators Johnson, Lankford, Daines, McCaskill, Tester, Heitkamp, Hassan, and Harris present. Senators Harris and Hassan were recorded as voting “no” for the record.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title

This section establishes the short title of the bill as the “Direct Hire of Students and Recent Graduates Act of 2017”.

¹⁴The maximum salary allowed for a GS-11 employee at the base level is \$68,025. See U.S. Off. of Personnel Mgmt., Salary Table 2017-GS, available at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2017/GS.pdf>.

¹⁵Nat'l Defense Authorization Act for Fiscal Year 2017, *supra* note 13 at 2448.

¹⁶*Id.*

¹⁷S. Rep. No. 114-830, at 1177 (2016).

Section 2. Expedited hiring for college graduates and post-secondary students.

Section 2 authorizes agencies to directly hire post-secondary students and recent graduates into Federal service through the addition of two new sections to Title 5, United States Code.

New section 3115 of Title 5, United States Code, describes the authority for agencies to directly hire recent college graduates. Subsection (a) sets definitions for the terms “director” and “institution of higher education.”

Subsection (b) authorizes the head of an agency to directly hire a recent college graduate to a competitive service position that is classified in a professional or administrative occupational category at the GS-11 level, or an equivalent level, or below. The OPM Director is required to prescribe regulations for agencies to follow when making these direct hires.

Subsection (c) describes the qualifications for a recent college graduate to be hired under this section. A recent graduate must have received a baccalaureate or graduate degree from an institution of higher education (as defined by the Higher Education Act of 1965, as amended) no more than two years from the date of applying for the position. For individuals with at least four years of obligated service in a uniformed service, they must apply for a position no more than two years after their date of discharge or release from service. Recent graduates must also meet each minimum qualification standard under the OPM Director’s regulations in order to be hired.

Subsection (d) requires agencies to publicly advertise positions for which this direct hire authority may be used. Agencies must also adhere to merit system principles, advertise positions in a manner to provide for diverse and qualified applicants, and ensure potential applicants have appropriate information relevant to the available positions.

Subsection (e) limits the number of positions for which this direct hire authority of recent college graduates may be used by an agency. The use of this authority would be limited to 15 percent of the number of individuals from the previous fiscal year that the agency hired to a professional or administrative occupational category at the GS-11 level, or an equivalent level, or below under a competitive examining procedure. The OPM Director would be able to lower this limit.

Subsection (f) requires the OPM Director to issue interim regulations for the administration of this direct hire authority not later than 180 after enactment of this bill.

Subsection (g) requires agencies using this direct hire authority to issue annual reports during the first three fiscal years after enactment of this bill. One report is an impact assessment submitted to Congress. Agencies must also submit a report to OPM that contains the necessary data for OPM to assess the impact and effectiveness of the authority to directly hire students and recent graduates. These reports must include information about the total number of individuals hired under this authority that are minorities or members of underrepresented groups or veterans, the recruitment sources used to hire individuals under this authority, and the total number of individuals the agencies hired in positions for which this authority is eligible.

Subsection (h) clarifies that the authority provided to agencies under this bill, and the subsequent regulations prescribed, does not apply to DOD's authority provided under the National Defense Authorization Act of 2017.

New section 3116 of Title 5, United States Code, describes the authority for agencies to directly hire post-secondary students. Subsection (a) sets definitions for the terms "director", "institution of higher education", and "student".

Subsection (b) authorizes the head of an agency to directly hire a post-secondary student on a time-limited basis to a competitive service position at the GS-11 level, or an equivalent level, or below. The OPM Director is required to prescribe regulations for agencies to follow when making these direct hires.

Subsection (c) requires agencies to publicly advertise positions for which this direct hire authority may be used. Agencies must also adhere to merit system principles, advertise positions in a manner to provide for diverse and qualified applicants, and ensure potential applicants have appropriate information relevant to the available positions.

Subsection (d) limits the number of positions for which this direct hire authority of post-secondary students may be used by an agency. The use of this authority would be limited to 15 percent of the number of students from the previous fiscal year that the agency hired in competitive service positions at the GS-11 level, or an equivalent level, or below. The OPM Director would be able to lower this limit.

Subsection (e) allows agencies to convert a student directly hired to a time-limited position under this section to a permanent competitive service position if the student completed the course of study leading to a baccalaureate or graduate degree, completed not less than 640 hours of current continuous employment under the direct hire authority of this section, and meets the qualification standards for the position to which the student would be converted.

Subsection (f) requires agencies to terminate the employment of any student hired under this section once the student completes the course of study, unless the student is converted to a permanent position under subsection (e).

Subsection (g) requires the OPM Director to issue interim regulations for the administration of this direct hire authority not later than 180 after enactment of this bill.

Subsection (h) requires agencies using this direct hire authority of post-secondary students to issue annual reports during the first three fiscal years after enactment of this bill. One report is an impact assessment submitted to Congress. Agencies must also submit a report to OPM that contains the necessary data for OPM to assess the impact and effectiveness of the authority to directly hire students and recent graduates. These reports must include information about the total number of individuals hired under this authority that are minorities or members of underrepresented groups or veterans, the recruitment sources used to hire individuals under this authority, and the total number of individuals the agencies hired in positions for which this authority is eligible.

Subsection (i) clarifies that the authority provided to agencies under this bill, and the subsequent regulations prescribed, does not

apply to DOD's authority provided under the National Defense Authorization Act of 2017.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office's statement that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

OCTOBER 30, 2017.

Hon. RON JOHNSON,
Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1887, the Direct Hire of Students and Recent Graduates Act of 2017.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

KEITH HALL,
Director.

Enclosure.

S. 1887—Direct Hire of Students and Recent Graduates Act of 2017

S. 1887 would provide special hiring authorities for federal agencies with the aim of expediting the hiring process for college graduates or veterans pursuing employment at the GS-11 level or below. The total number of such hires would be limited to 15 percent of the employees an agency hired in the previous year. In addition, the Office of Personnel Management (OPM) and agencies using this authority would need to report to the Congress on the effectiveness of the program over the next three years.

In recent years, around 20,000 federal employees have been hired annually at or below the GS-11 level. OPM also administers an effort that is similar to the proposed legislation, the Pathways Program, which expedites the hiring of recent graduates. Because that program is ongoing and because the potential number of hires under S. 1887 would be limited to 15 percent (or about 3,000) of the openings at or below GS-11, CBO estimates that there would be no significant cost to create the new program.

Enacting S. 1887 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting S. 1887 would not increase direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

S. 1887 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Matthew Pickford. This estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows: (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

UNITED STATES CODE

* * * * *

TITLE 5—GOVERNMENT ORGANIZATION AND EMPLOYEES

* * * * *

PART III—EMPLOYEES

* * * * *

SUBPART B—EMPLOYMENT AND RETENTION

* * * * *

CHAPTER 31—AUTHORITY FOR EMPLOYMENT

* * * * *

Subchapter I—Employment Authorities

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* * * * *

SEC. 3115. EXPEDITED HIRING AUTHORITY FOR COLLEGE GRADUATES; COMPETITIVE SERVICE.

(a) *DEFINITIONS.—In this section:*

(1) *DIRECTOR.*—The term “Director” means the Director of the Office of Personnel Management.

(2) *INSTITUTION OF HIGHER EDUCATION.*—The term “institution of higher education” has the meaning given the term in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)).

(b) *APPOINTMENT.*—

(1) *IN GENERAL.*—The head of an agency may appoint, without regard to any provision of sections 3309 through 3319 and 3330, a qualified individual to a position in the competitive service classified in a professional or administrative occupational category at the GS-11 level, or an equivalent level, or below.

(2) *RESTRICTIONS.*—An appointment under paragraph (1) shall be made in accordance with regulations prescribed by the Director.

(c) *QUALIFICATIONS FOR APPOINTMENT.*—The head of an agency may make an appointment under subparagraph (b) only if the individual being appointed—

(1) has received a baccalaureate or graduate degree from an institution of higher education;

(2) applies for the position—

(A) not later than 2 years after the date on which the individual being appointed received the degree described in paragraph (1); or

(B) in the case of an individual who has completed a period of not less than 4 years of obligated service in a uniformed service, not later than 2 years after the date of the discharge or the release of the individual from that service; and

(3) meets each minimum qualification standard prescribed by the Director for the position to which the individual is being appointed.

(d) *PUBLIC NOTICE AND ADVERTISING.*—

(1) *IN GENERAL.*—The head of an agency making an appointment under subsection (b) shall publicly advertise positions under this section.

(2) *REQUIREMENTS.*—In carrying out paragraph (1), the head of an agency shall—

(A) adhere to merit system principles;

(B) advertise positions in a manner that provides for diverse and qualified applicants; and

(C) ensure potential applicants have appropriate information relevant to the positions available.

(e) *LIMITATION ON APPOINTMENTS.*—

(1) *IN GENERAL.*—Except as provided in paragraph (2), the total number of employees that the head of an agency may appoint under this section during a fiscal year may not exceed the number equal to 15 percent of the number of individuals that the agency head appointed during the previous fiscal year to a position in the competitive service classified in a professional or administrative occupational category, at the GS-11 level, or an equivalent level, or below, under a competitive examining procedure.

(2) *EXCEPTIONS.*—Under a regulation prescribed under subsection (f), the Director may establish a lower limit on the number of individuals that may be appointed under paragraph (1) of this subsection during a fiscal year based on any factor the Director considers appropriate.

(f) *REGULATIONS.*—Not later than 180 days after the date of enactment of the Direct Hire of Students and Recent Graduates Act of 2017, the Director shall issue interim regulations, with an opportunity to comment, for the administration of this section.

(g) *REPORTING.*—

(1) *IN GENERAL.*—Not later than September 30 of each of the first 3 fiscal years beginning after the date of enactment of the Direct Hire of Students and Recent Graduates Act of 2017, the head of an agency that makes an appointment under this section shall submit a report to—

(A) Congress that assesses the impact of the use of the authority provided under this section during the fiscal year in which the report is submitted; and

(B) the Director that contains data that the Director considers necessary for the Director to assess the impact and effectiveness of the authority described in subparagraph (A).

(2) *CONTENT.*—The head of an agency shall include in each report under paragraph (1)—

(A) the total number of individuals appointed by the agency under this section, as well as the number of such individuals who are—

(i) minorities or members of other underrepresented groups; or

(ii) veterans;

(B) recruitment sources;

(C) the total number of individuals appointed by the agency during the applicable fiscal year to a position in the competitive service classified in a professional or administrative occupational category at the GS-11 level, or an equivalent level, or below; and

(D) any additional data specified by the Director.

(h) *SPECIAL PROVISION REGARDING THE DEPARTMENT OF DEFENSE.*—

(1) *AUTHORITY.*—Nothing in this section shall preclude the Secretary of Defense from exercising any authority to appoint a recent graduate under section 1106 of the National Defense Authorization Act for Fiscal Year 2017 (10 U.S.C. note prec. 1580), or any applicable successor statute.

(2) *REGULATIONS.*—Any regulations prescribed by the Director for the administration of this section shall not apply to the Department of Defense during the period ending on the date on which the appointment authority of the Secretary of Defense under section 1106 of the National Defense Authorization Act for Fiscal Year 2017 (10 U.S.C. note prec. 1580), or any applicable successor statute, terminates.

SEC. 3116. EXPEDITED HIRING AUTHORITY FOR POST-SECONDARY STUDENTS; COMPETITIVE SERVICE.

(a) *DEFINITIONS.*—In this section:

(1) *DIRECTOR.*—The term “Director” means the Director of the Office of Personnel Management.

(2) *INSTITUTION OF HIGHER EDUCATION.*—The term “institution of higher education” has the meaning given the term in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)).

(3) *STUDENT.*—The term “student” means an individual enrolled or accepted for enrollment in an institution of higher education who is pursuing a baccalaureate or graduate degree on at least a part-time basis as determined by the institution of higher education.

(b) *APPOINTMENT.*—

(1) *IN GENERAL.*—The head of an agency may make a time-limited appointment of a student, without regard to any provision of sections 3309 through 3319 and 3330, to a position in the competitive service at the GS–11 level, or an equivalent level, or below for which the student is qualified.

(2) *RESTRICTION.*—An appointment under paragraph (1) shall be made in accordance with regulations prescribed by the Director.

(c) *PUBLIC NOTICE.*—

(1) *IN GENERAL.*—The head of an agency making an appointment under subsection (b) shall publicly advertise positions available under this section.

(2) *REQUIREMENTS.*—In carrying out paragraph (1), the head of an agency shall

(A) adhere to merit system principles;

(B) advertise positions in a manner that provides for diverse and qualified applicants; and

(C) ensure potential applicants have appropriate information relevant to the positions available.

(d) *LIMITATIONS ON APPOINTMENTS.*—

(1) *IN GENERAL.*—Except as provided in paragraph (2), the total number of students that the head of an agency may appoint under this section during a fiscal year may not exceed the number equal to 15 percent of the number of students that the agency head appointed during the previous fiscal year to a position in the competitive service at the GS–11 level, or an equivalent level, or below.

(2) *EXCEPTIONS.*—Under a regulation prescribed under subsection (g), the Director may establish a lower limit on the number of students that may be appointed under paragraph (1) of this subsection during a fiscal year based on any factor the Director considers appropriate.

(e) *CONVERSION.*—The head of an agency may, without regard to any provision of chapter 33 or any other provision of law relating to the examination, certification, and appointment of individuals in the competitive service, convert a student serving in an appointment under subsection (b) to a permanent appointment in the competitive service within the agency without further competition if the student—

(1) has completed the course of student leading to the baccalaureate or graduate degree;

(2) has completed not less than 640 hours of current continuous employment in an appointment under subsection (b); and

(3) *meets the qualification standards for the position to which the student will be converted.*

(f) *TERMINATION.—The head of an agency shall, without regard to any provision of chapter 35 or 75, terminate the appointment of a student appointed under subsection (b) upon completion of the designated academic course of study unless the student is selected for conversion under subsection (e).*

(g) *REGULATIONS.—Not later than 180 days after the date of enactment of the Direct Hire of Students and Recent Graduates Act of 2017, the Director shall issue interim regulations, with an opportunity for comment, for the administration of this section.*

(h) *REPORTING.—*

(1) *IN GENERAL.—Not later than September 30 of each of the first 3 fiscal years beginning after the date of enactment of the Direct Hire of Students and Recent Graduates Act of 2017, the head of an agency that makes an appointment under this section shall submit a report to—*

(A) *Congress that assesses the impact of the use of the authority provided under this section during the fiscal year in which the report is submitted; and*

(B) *the Director that contains data that the Director considers necessary for the Director to assess the impact and effectiveness of the authority described in subparagraph (A).*

(2) *CONTENT.—The head of an agency shall include in each report under paragraph (1)—*

(A) *the total number of individuals appointed by the agency under this section, as well as the number of such individuals who are—*

(i) *minorities or members of other underrepresented groups; or*

(ii) *veterans;*

(B) *recruitment sources;*

(C) *the total number of individuals appointed by the agency during the applicable fiscal year to a position in the competitive service at the GS-11 level, or an equivalent level, or below; and*

(D) *any additional data specified by the Director.*

(i) *SPECIAL PROVISION REGARDING THE DEPARTMENT OF DEFENSE.—*

(1) *AUTHORITY.—Nothing in this section shall preclude the Secretary of Defense from exercising any authority to appoint a post-secondary student under section 1106 of the National Defense Authorization Act for Fiscal Year 2017 (10 U.S.C. note prec. 1580), or any applicable successor statute.*

(2) *REGULATIONS.—Any regulations prescribed by the Director for the administration of this section shall not apply to the Department of Defense during the period ending on the date on which the appointment authority of the Secretary of Defense under section 1106 of the National Defense Authorization Act*

for Fiscal Year 2017 (10 U.S.C. note prec. 1580), or any applicable successor statute, terminates.

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